



## FISCAL MEMORANDUM

### HB 2572 - SB 2872

March 8, 2022

**SUMMARY OF BILL AS AMENDED (014914):** Entitles law enforcement officers to an additional, automatic one year of creditable service towards retirement for every five years of creditable service earned. Additional creditable service is applicable only upon the payment of a sum of 10 percent of the member's earnable compensation for each five-year period of creditable service plus interest. Establishes conditions on how the required payment may be made and that the payment can be made by the member or the member's employer, as applicable.

### ESTIMATED FISCAL IMPACT OF BILL AS AMENDED:

**Increase State Expenditures – \$40,371,700/FY22-23**

**Increase Federal Expenditures – \$13,457,200/FY22-23**

**Increase Local Expenditures – \$347,050,000/FY22-23/Permissive**

**Other Fiscal Impact – The total additional lump sum pension liability to the Tennessee Consolidated Retirement System is estimated to be \$400,628,900.**

Assumptions for the bill as amended:

- A law enforcement officer is defined as a member of the Tennessee highway patrol, a police officer, a sheriff, or sheriff's deputy employed full time by a municipality or political subdivision in Tennessee, or a police officer, agent, or investigator employed full time by the state of Tennessee.
- For the purposes of this analysis, it is assumed that all active Tennessee Consolidated Retirement System (TCRS) members employed as a law enforcement official would be granted an additional five years of service under the proposed legislation, and therefore, are eligible for an unreduced service retirement.
- For the purposes of this analysis, it is assumed that a member will purchase an additional year of creditable service following their fifth year of service.
- Retirement benefits for retired state employees are funded 75 percent with state funds and 25 percent with federal funds.
- Based on information from the Tennessee Consolidated Retirement System (TCRS), the total increase in liability including additional administrative expenditures is estimated to be \$53,828,936 to the pension system relative to eligible state employees.

- Such additional liability will be funded in FY22-23.
- The one-time increase in state expenditures in FY22-23 for state employees is estimated to be \$40,371,702 (\$53,828,936 x 75%).
- The total one-time increase in federal expenditures in FY22-23 for state employees is estimated to be \$13,457,234 (\$53,828,936 x 25%).
- Based on information from TCRS, the total increase in liability to the pension system relative to eligible local government employees is estimated to be \$347,050,013.
- Local governments may choose to adopt a resolution authorizing such additional benefits for local government employees.
- Any permissive increase in local government expenditures for the additional liability is dependent on the number of local governments adopting such resolution and the number of applicable employees within those local governments.
- The permissive increase in local government expenditures would be funded 100 percent by local government in FY22-23.
- The permissive increase in local government expenditures is estimated to be \$347,050,013.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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